Tips on Doing Business in China

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1. The Chinese like to do business with old friends. Cultivate relationships with your rep, your partner or licensee, and your buyers, as well as with key officials who give the approvals and help resolve disputes.

2. Research the market carefully and develop a market entry strategy based on good information and a long term commitment to the market.

3. Your best prospect for sale or manufacture in China will be a market niche product that has no direct equivalent in China, cannot be produced by local business, and gives the end-user access to advanced technology, materials, production methods, or management that he cannot obtain any other way or at lower cost.

4. Develop product information for products suited to the market, and present it in the Chinese language. For web-based marketing information, remember that Internet access is still slow and trouble-prone in China, and E-commerce is in its infancy.

5. Protect your intellectual property. Be aware that there is rampant counterfeiting and trademark, patent, and copyright infringement in China.

6. Check thoroughly the foreign currency and other requirements of your transactions against the current regulations binding you and your rep or partner. China does not yet have a freely convertible currency, and there are strict foreign currency controls on different types of business.

7. Don't be surprised if your prospective rep or partner asks you to bring all the financing with you from the supplier side. Be aware that any export financing you obtain from your bank in the U.S. is likely to be based on the Chinese buyer's credit-worthiness or require a confirmed letter of credit for each sale.

8. If your business lends itself to investment overseas, be ready for heavy pressure from the Chinese to invest capital and transfer technology.

9. If you are negotiating a joint venture, push for better inducements than what they are offering. The industrial zones and parks are all competing with each other for your investment dollar, and they all offer the same tax holidays, tariff exemptions and waiving of restrictions. Be creative and force them to deal.

10. Bear in mind that China has long excelled in protectionism. Be prepared for high tariffs, quotas, domestic content rules, arcane safety and technical standards and codes, detailed tech transfer requirements, an opaque bidding process not in conformity with international competitive bidding practices, excessive customs valuations, and strict definition of which enterprises can engage in trade, distribution, and after sale services.

11. Do not enter into any contract or agreement until you have had it carefully reviewed by China- qualified and experienced legal counsel.

12. Be aware that however ideal your new JV agreement seems and however well chosen your Chinese partner, the trend today among JVs that have been in existence for seven to 12 years is for the U.S. company to buyout his Chinese partner and go wholly owned. Many of these are registering a profit for the first time after the buyout.